



# ARIZONA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

3.9.2011

OFFICE OF THE ARIZONA STATE TREASURER



# AGENDA: 3.9.2011

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- **Endowment Performance**
- **Asset Allocation Changes**
- **Endowment Distribution Formula**
- **State Cash Flow**
- **Q & A**





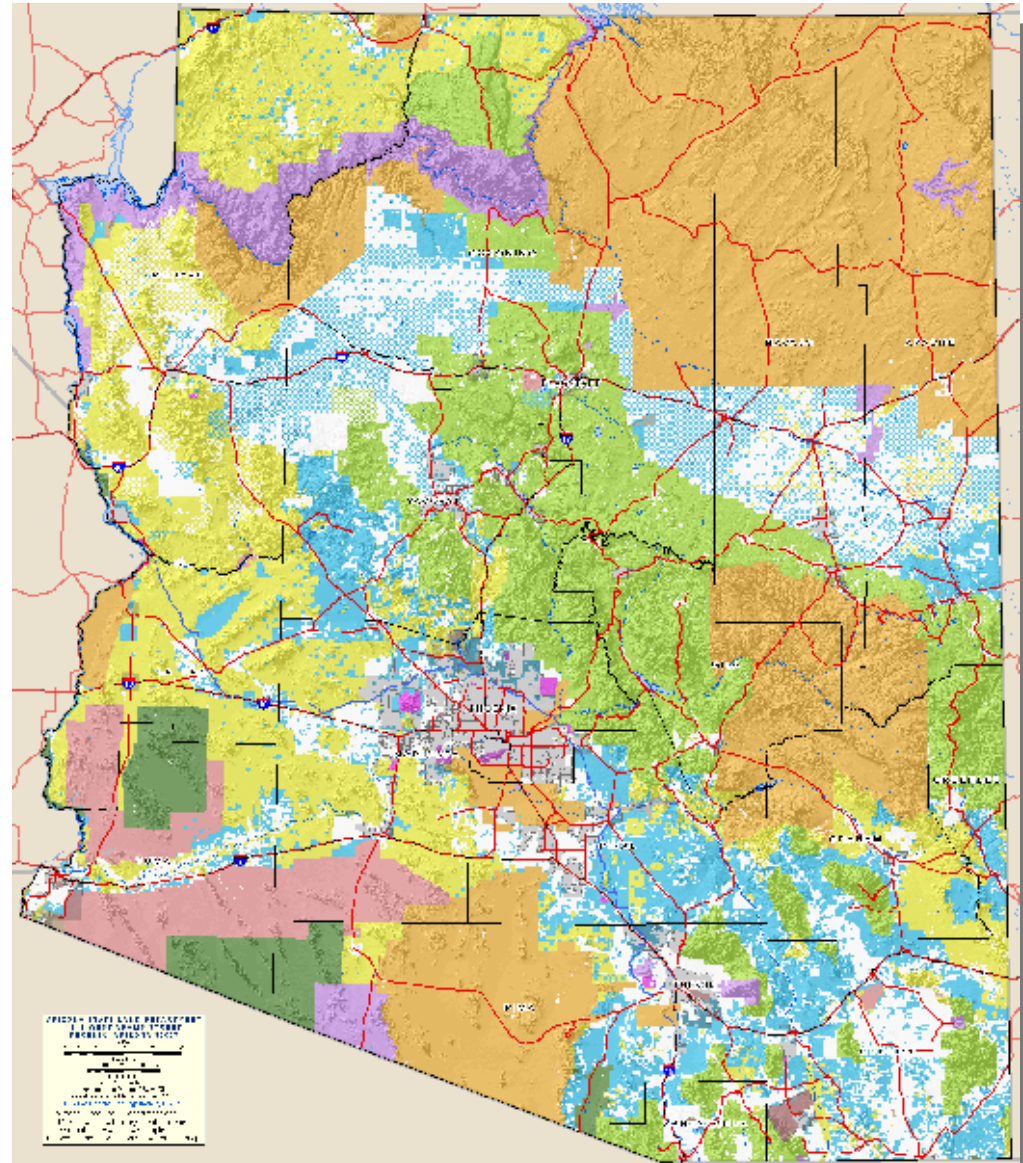
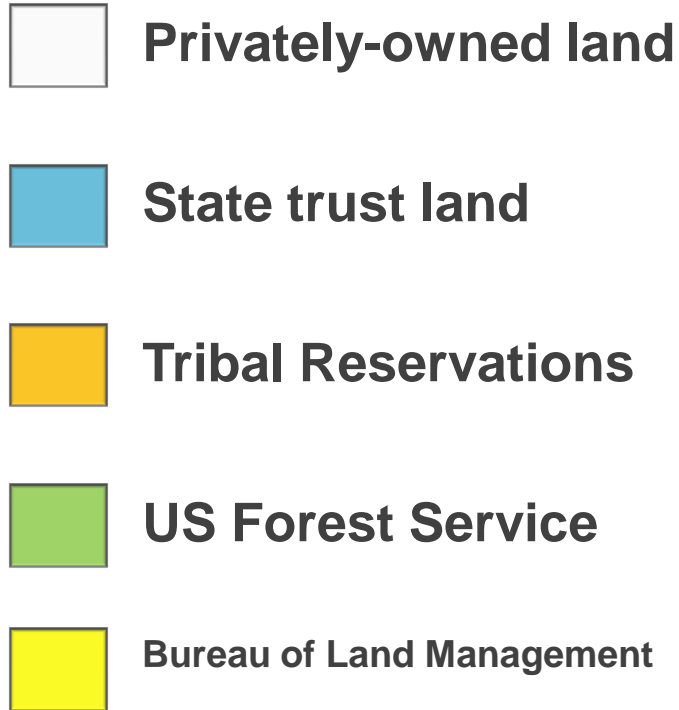
# ENDOWMENT PERFORMANCE

Through December 2010

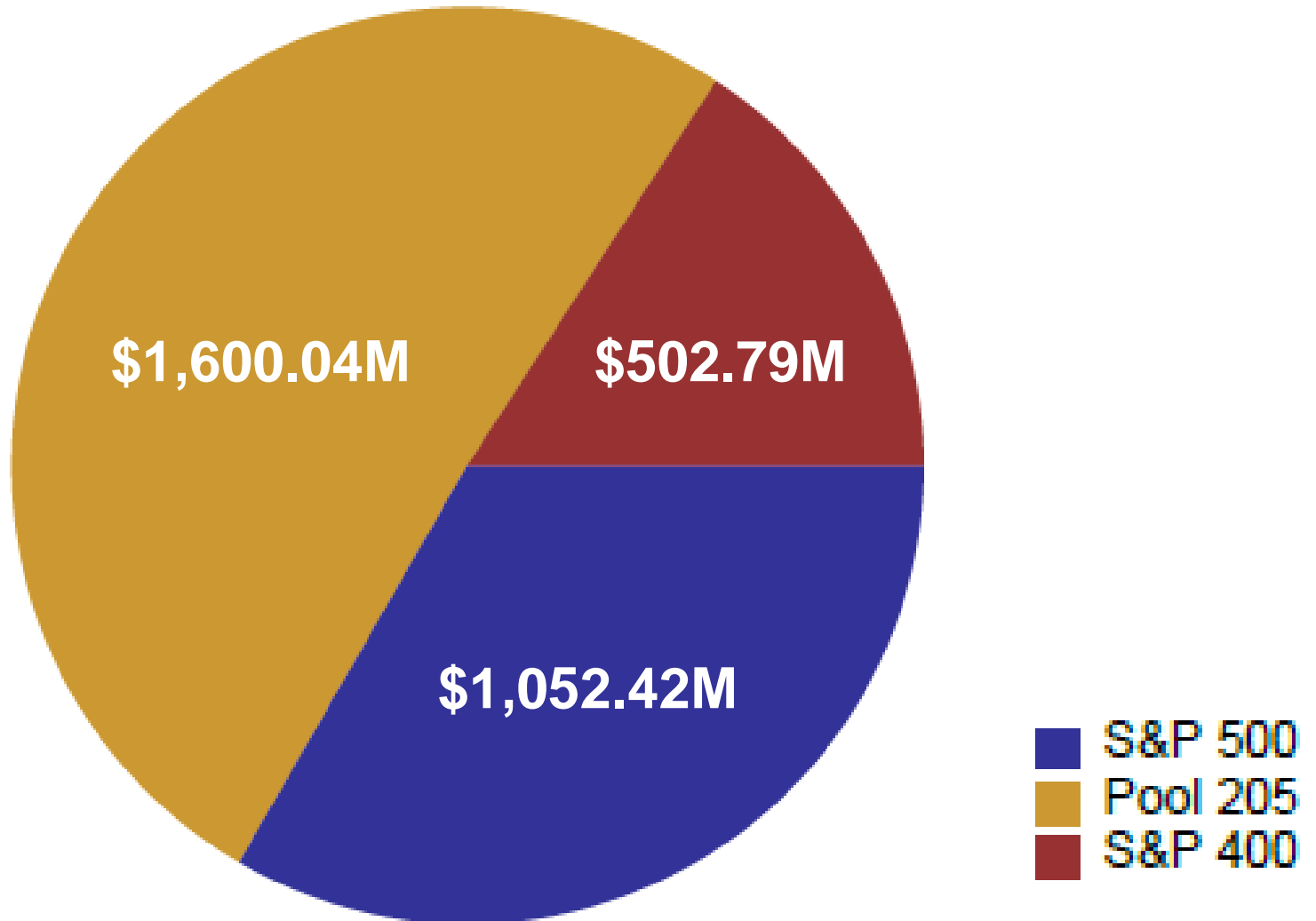
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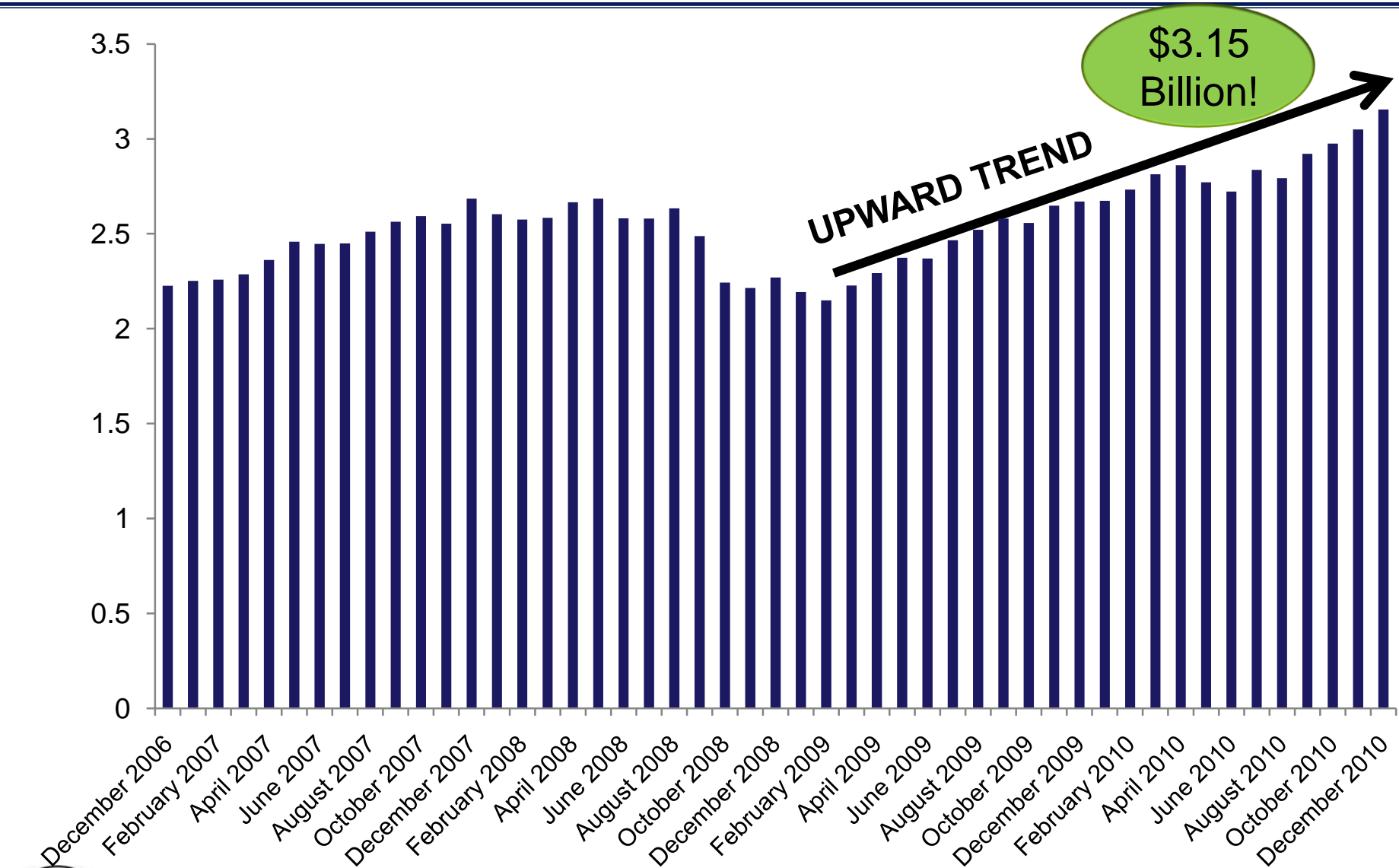
# ENDOWMENT PERFORMANCE



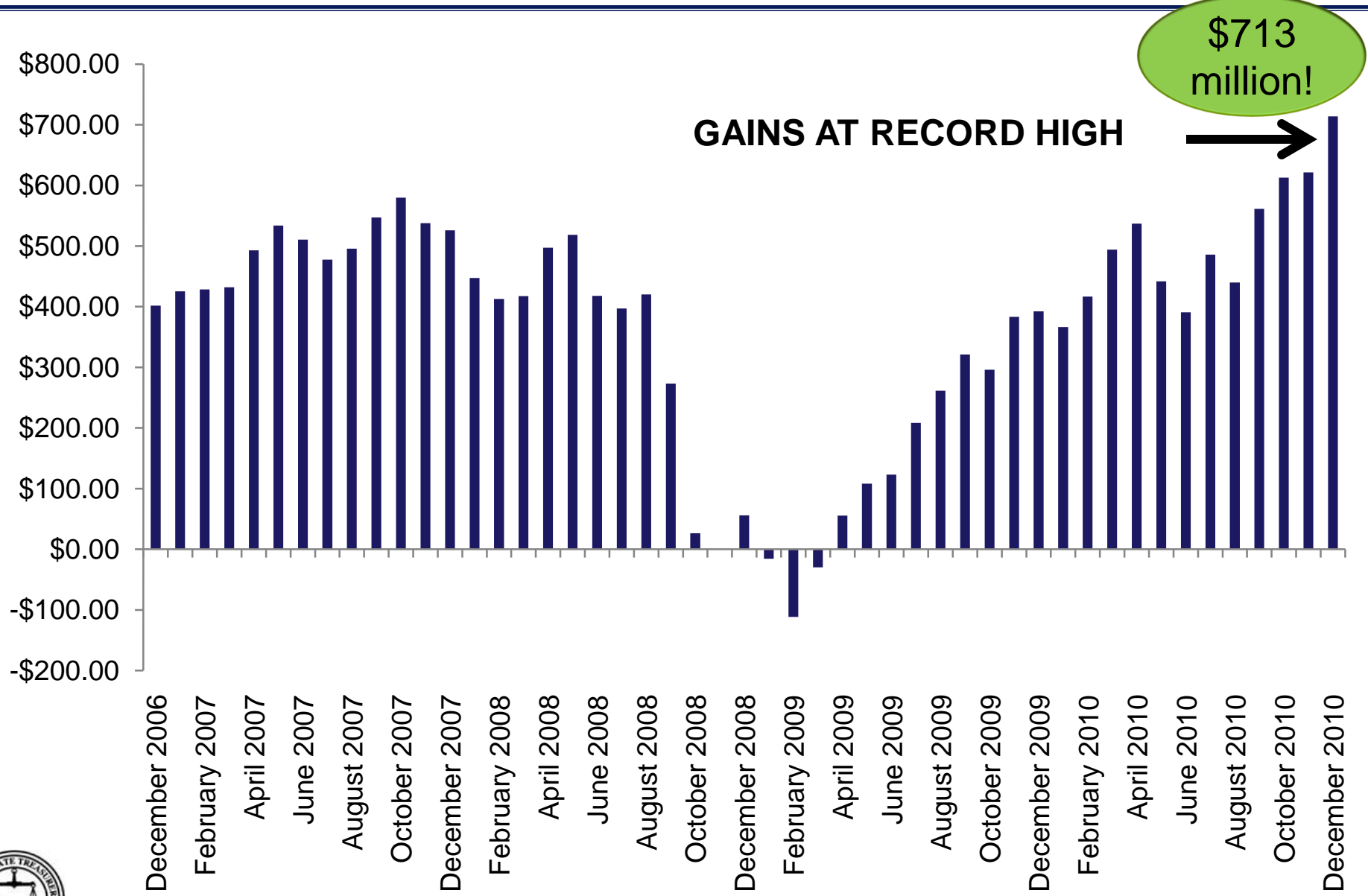
# ENDOWMENT PERFORMANCE



# ENDOWMENT MARKET VALUE

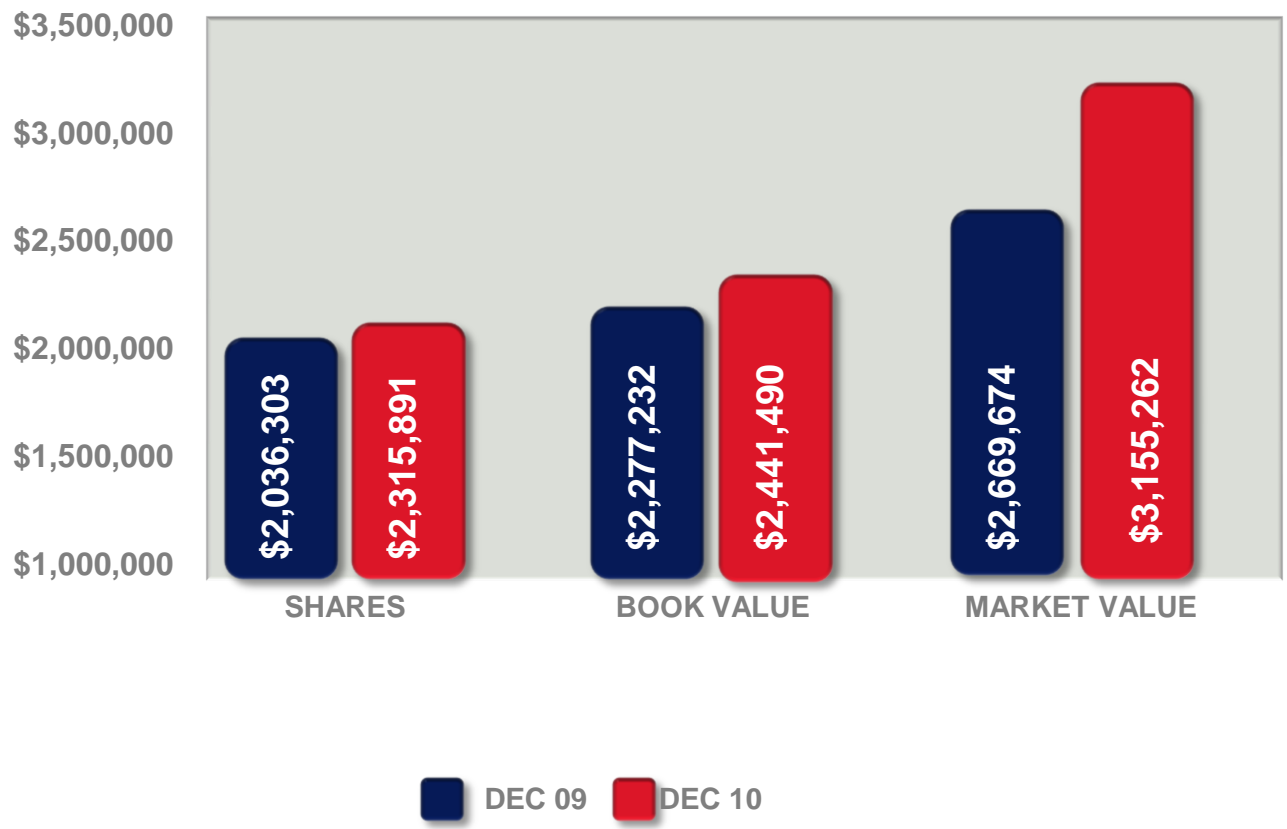


# ENDOWMENT UNREALIZED GAINS



# ENDOWMENT FY 11 2ND QUARTER

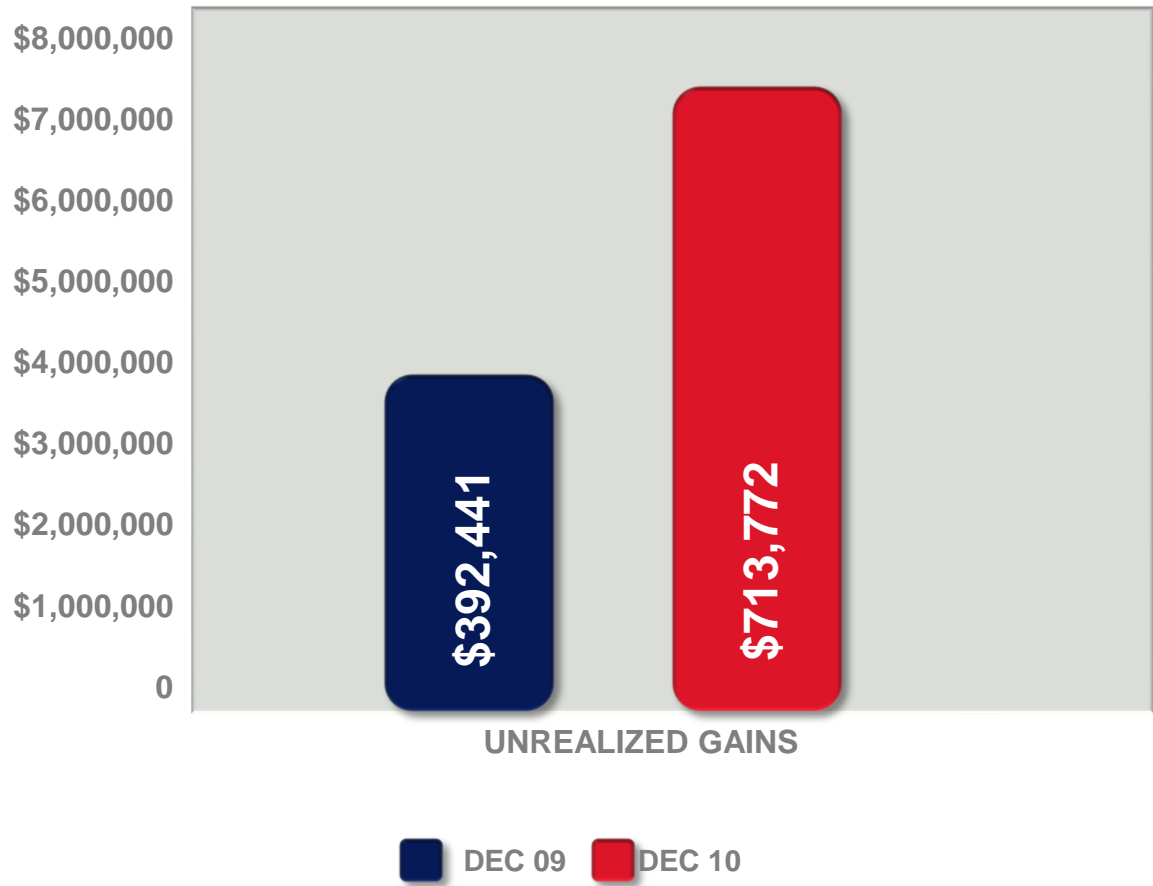
## CHANGE SINCE 2010





# ENDOWMENT FY 11 2ND QUARTER

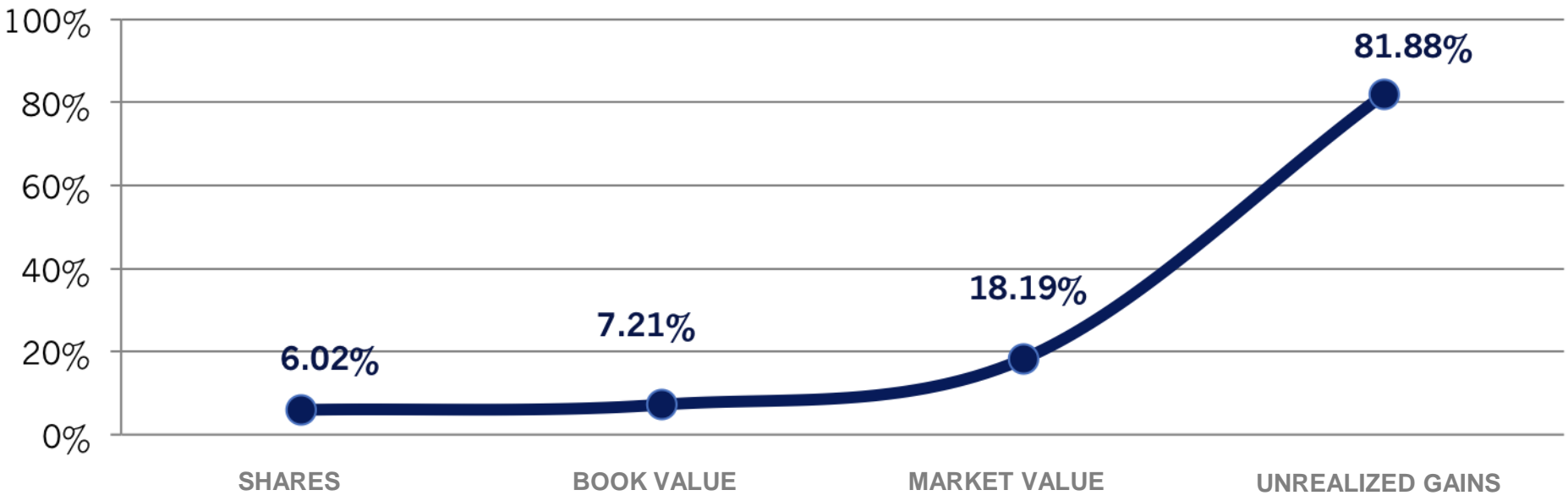
## CHANGE SINCE 2010



# ENDOWMENT FY 11 2ND QUARTER

(IN THOUSANDS)

## PERFORMANCE





# Endowment Asset Allocation Changes

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# ASSET ALLOCATION: 1999

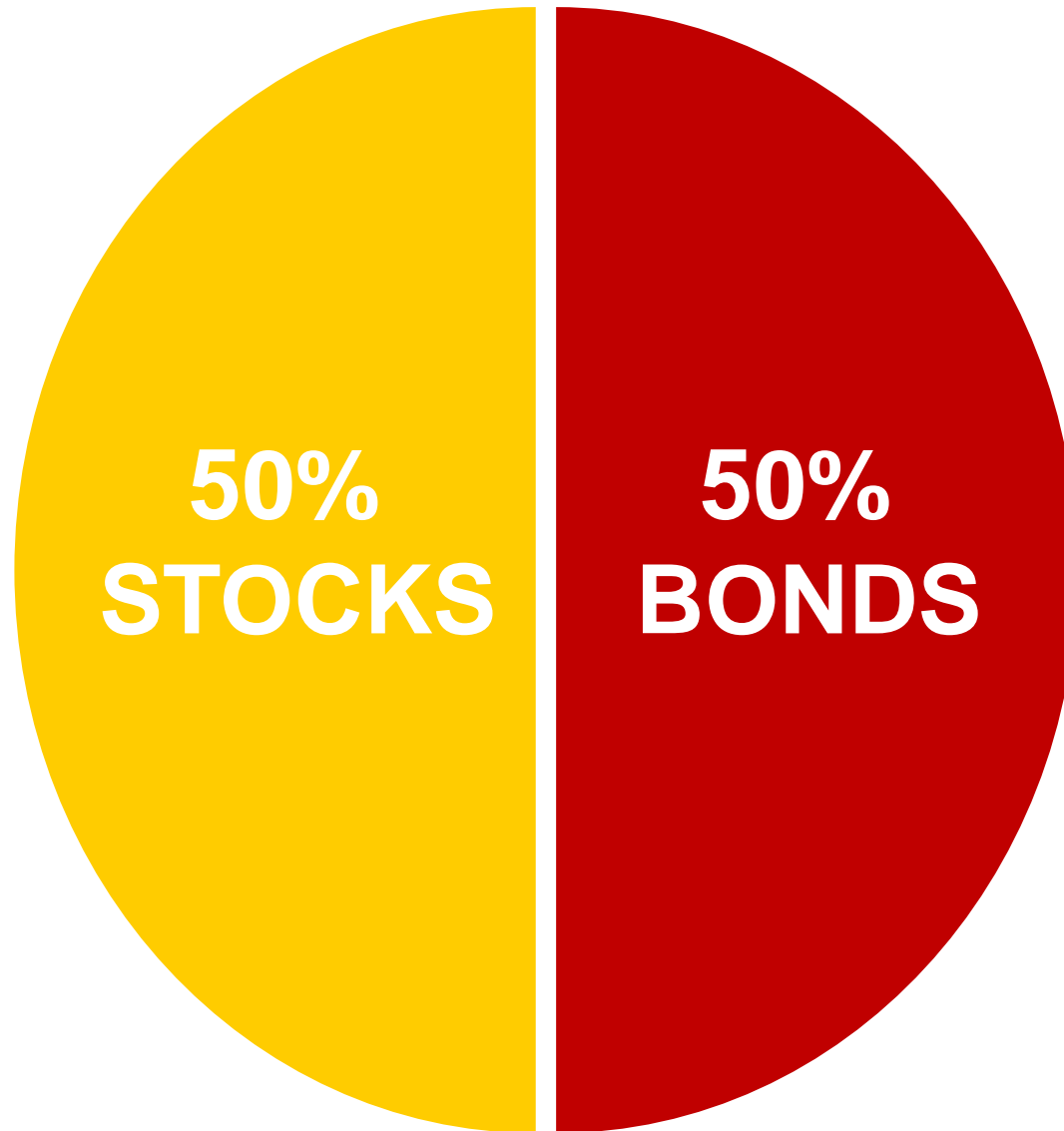
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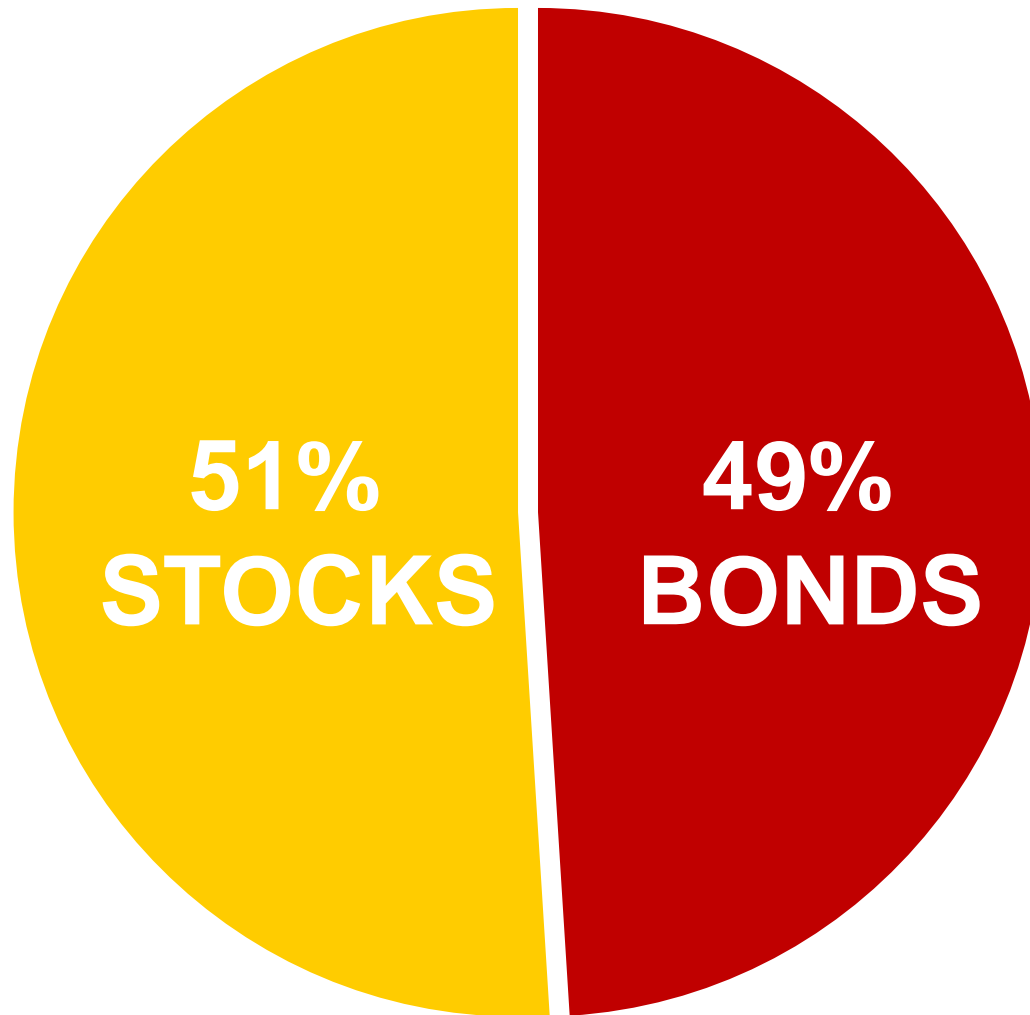
**100%  
BONDS**



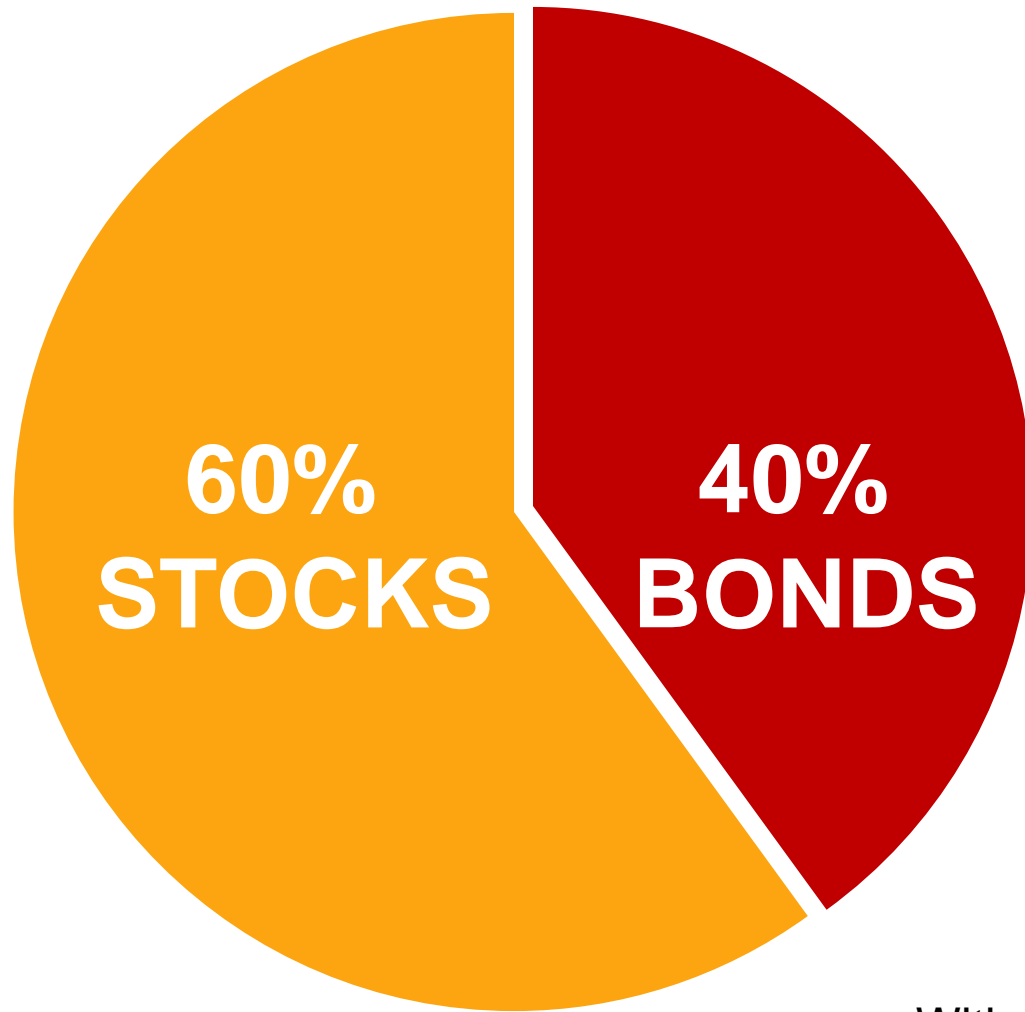
# ASSET ALLOCATION: MARCH 2003



# ASSET ALLOCATION: MARCH 2011



# TARGET ASSET ALLOCATION: FEB 2012



With +/- 5% market value  
rebalance triggers.

**Sell high, buy low.**





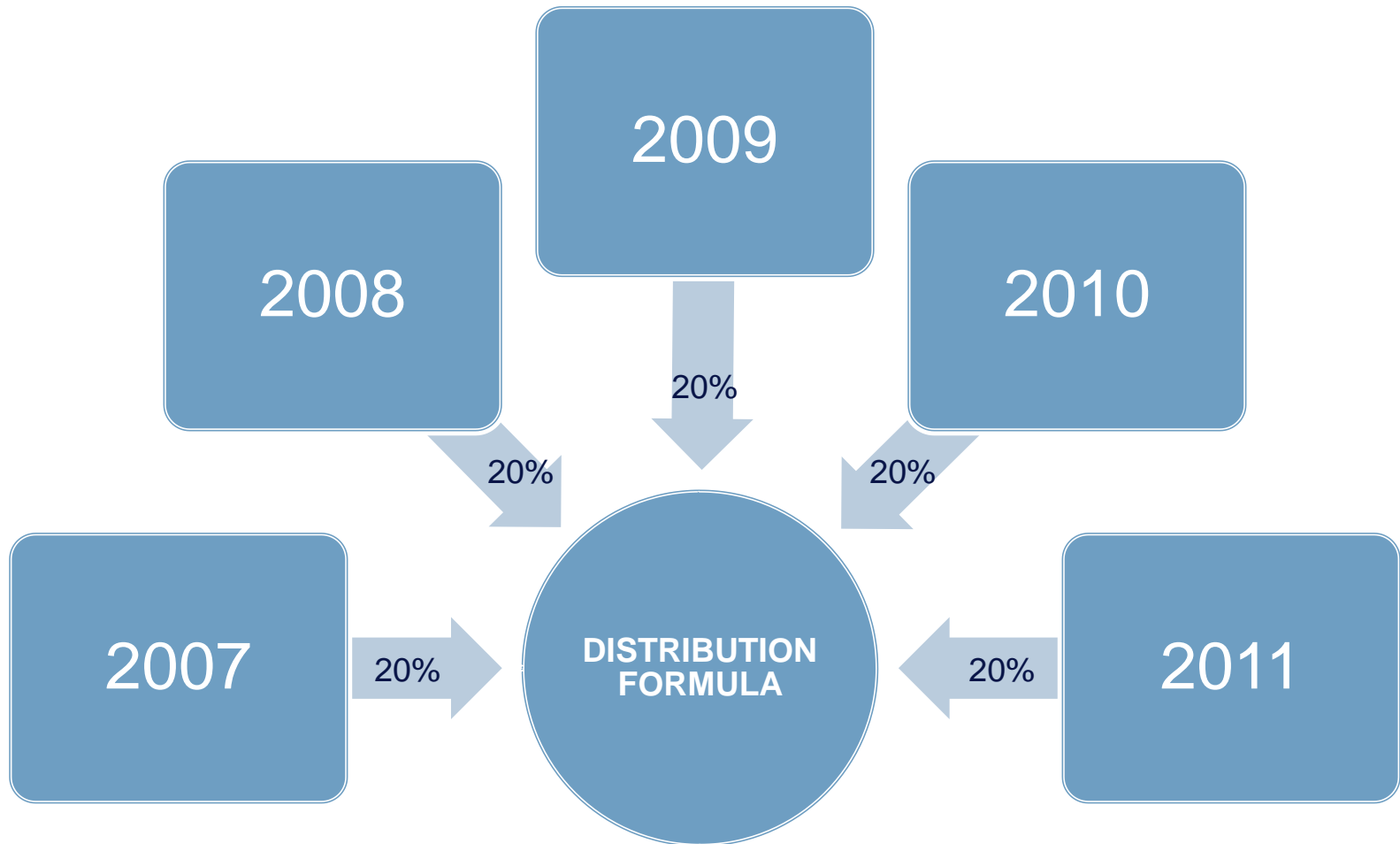
# Endowment Distribution Formula

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# ADJUSTED FOR INFLATION

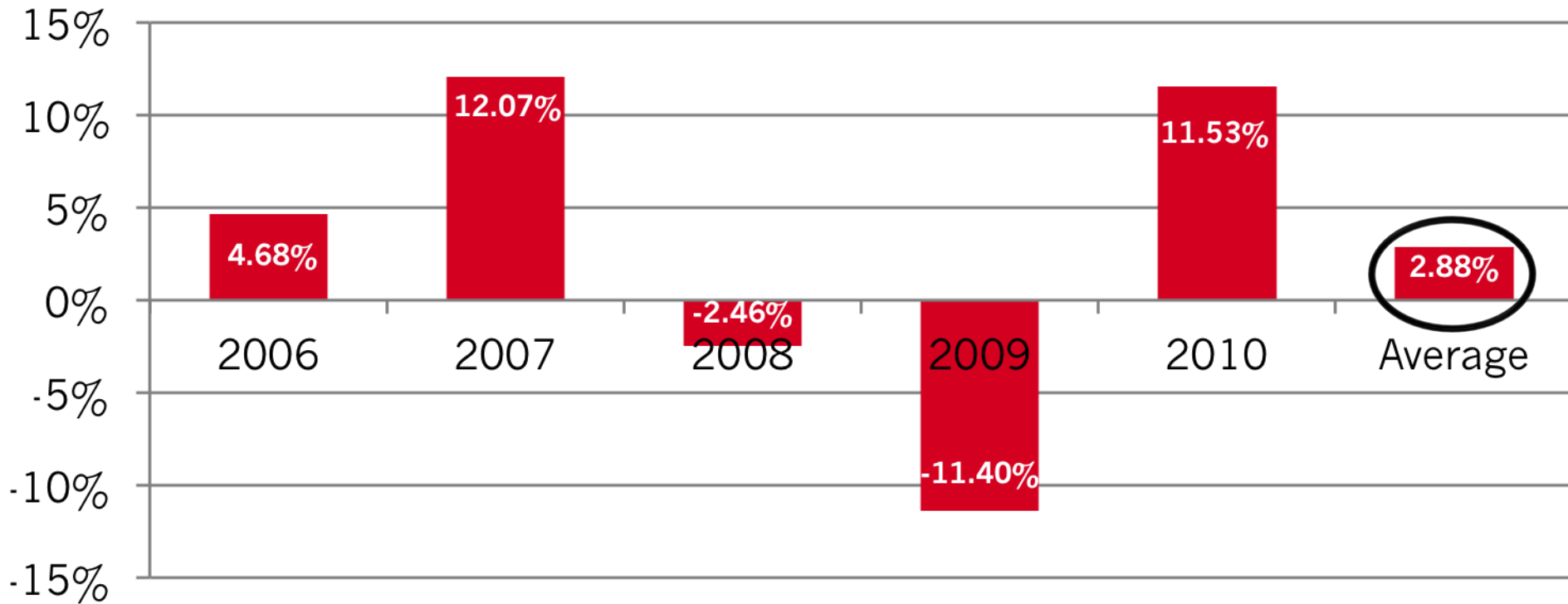


Formula takes 20% of the returns adjusted for inflation from each of the previous five years.



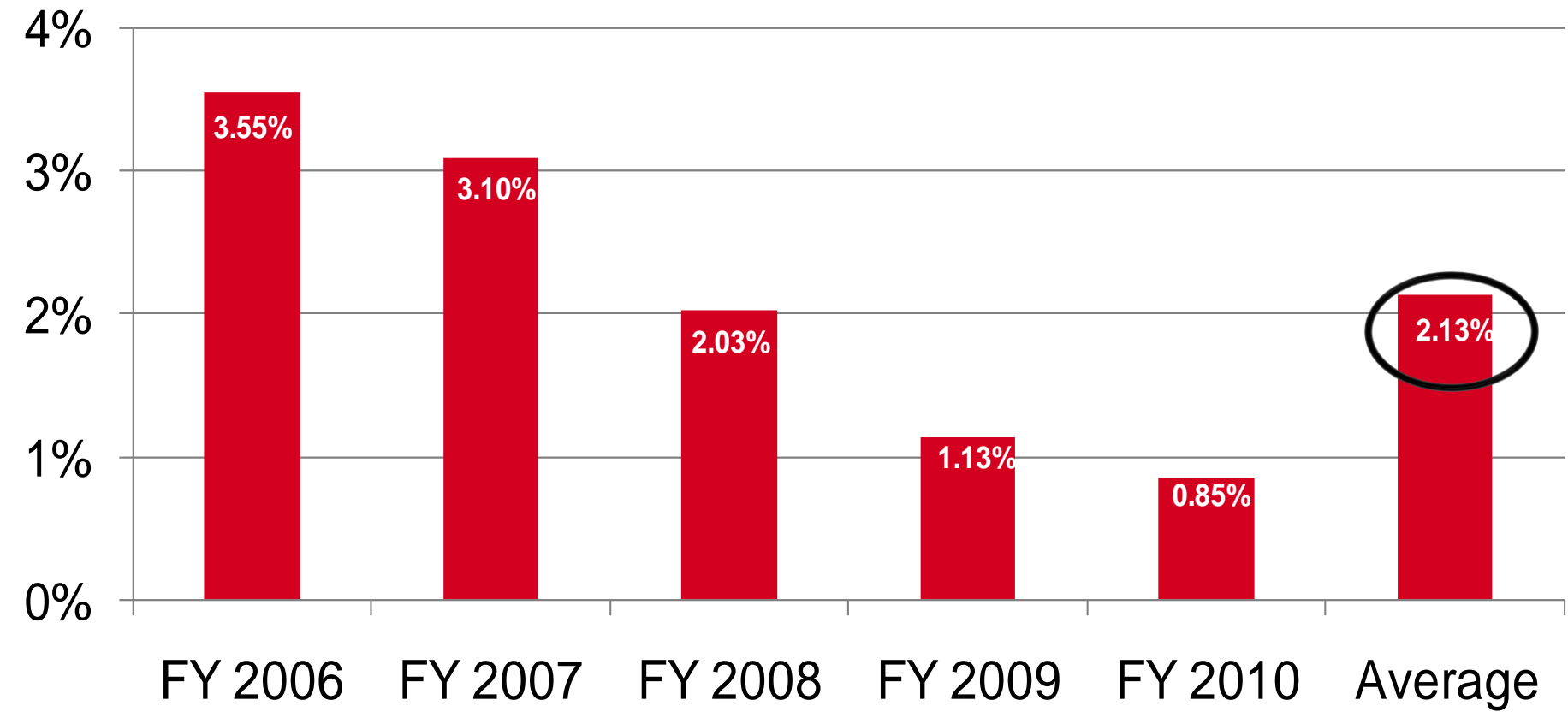
# HOW THE FORMULA WORKS

**5-YEAR AVG. TOTAL RETURN : 2.88%**



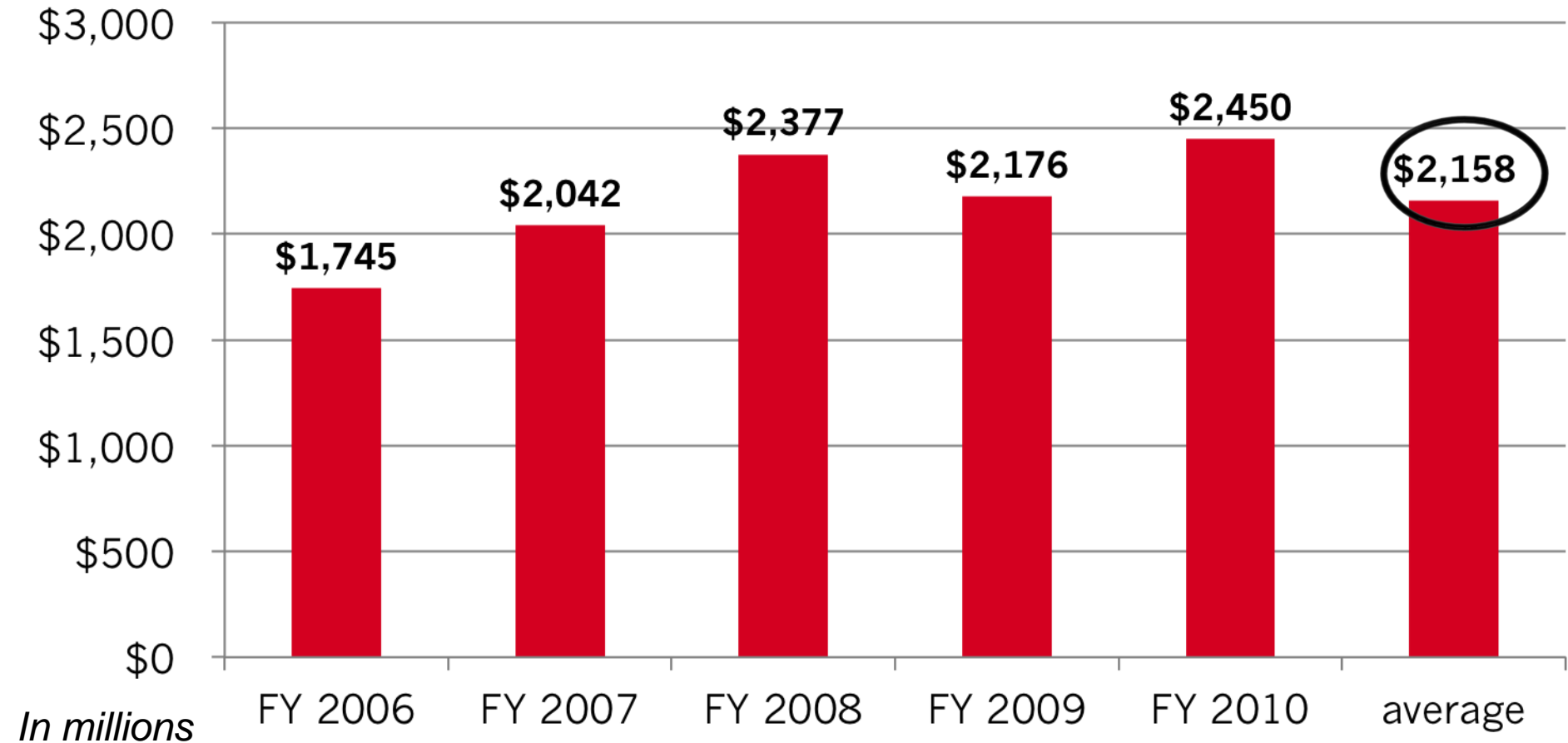
# HOW THE FORMULA WORKS

***SUBTRACT*** 5-YEAR AVGERAGE INFLATION: 2.13%



# HOW THE FORMULA WORKS

Equals .75% multiplied by 5-year average market value of \$2.158 billion

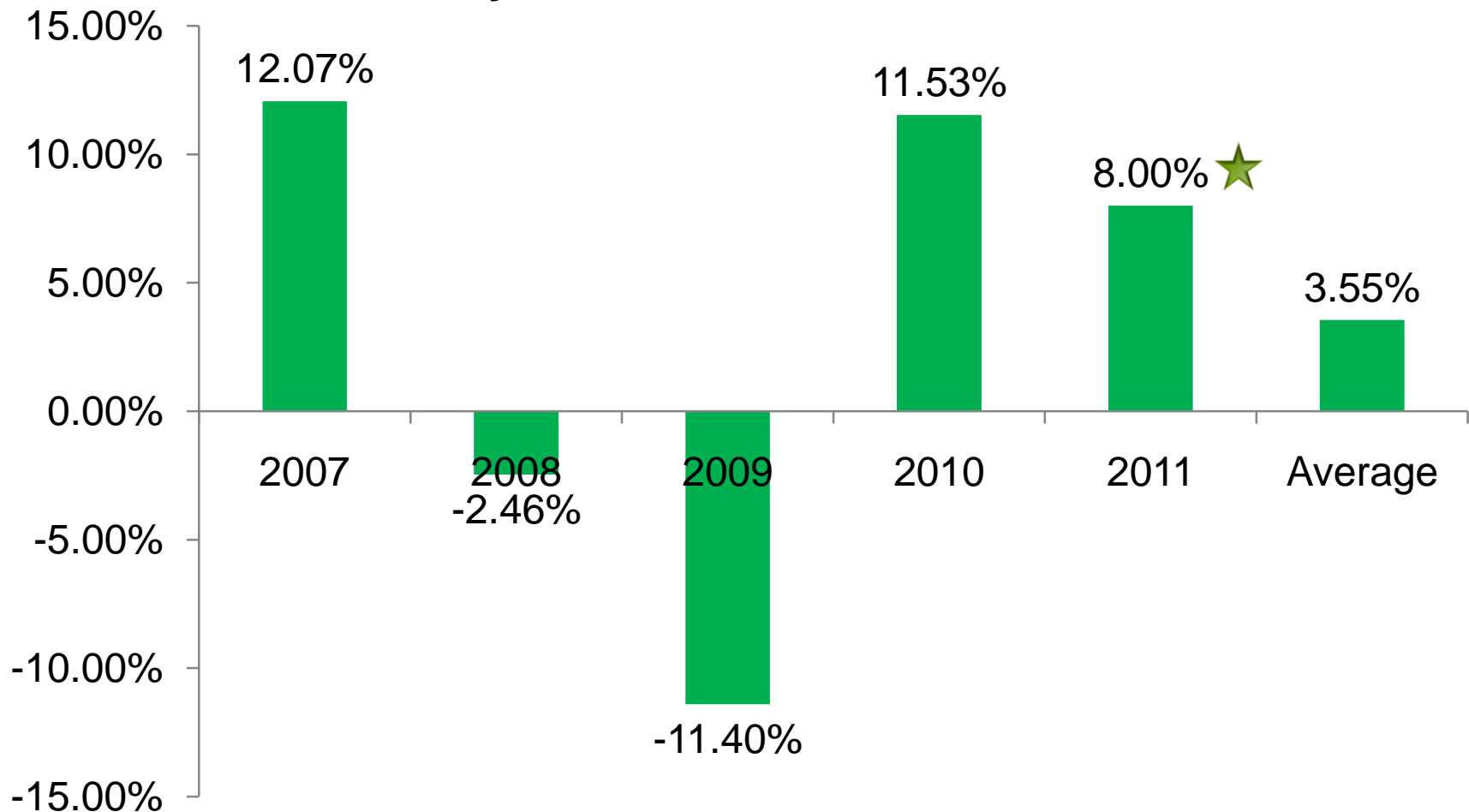


Results in a \$16.2 million K-12 distribution in FY11



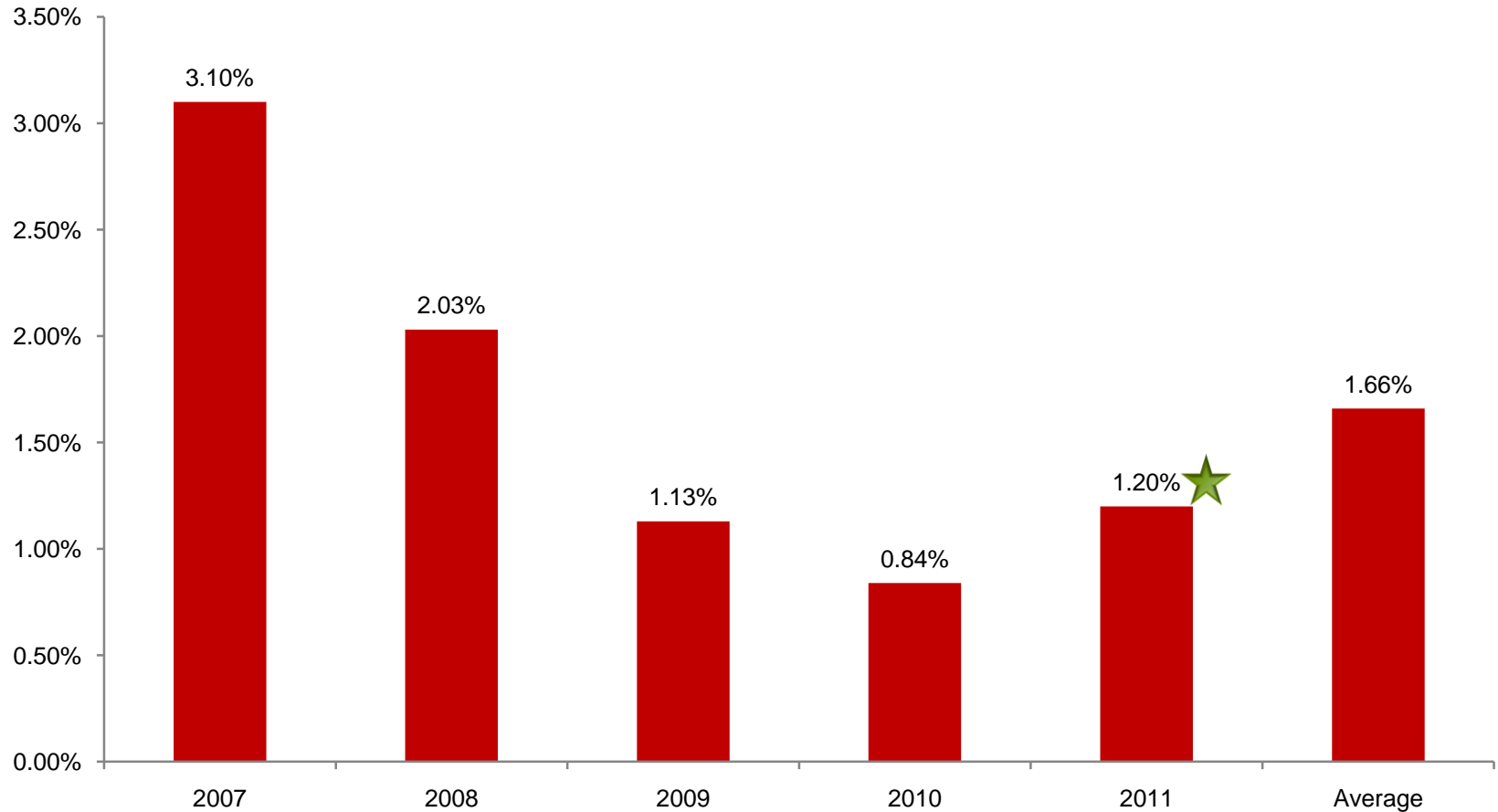
# 2012 PRELIMINARY ESTIMATE

**5-year total return of 3.55%**



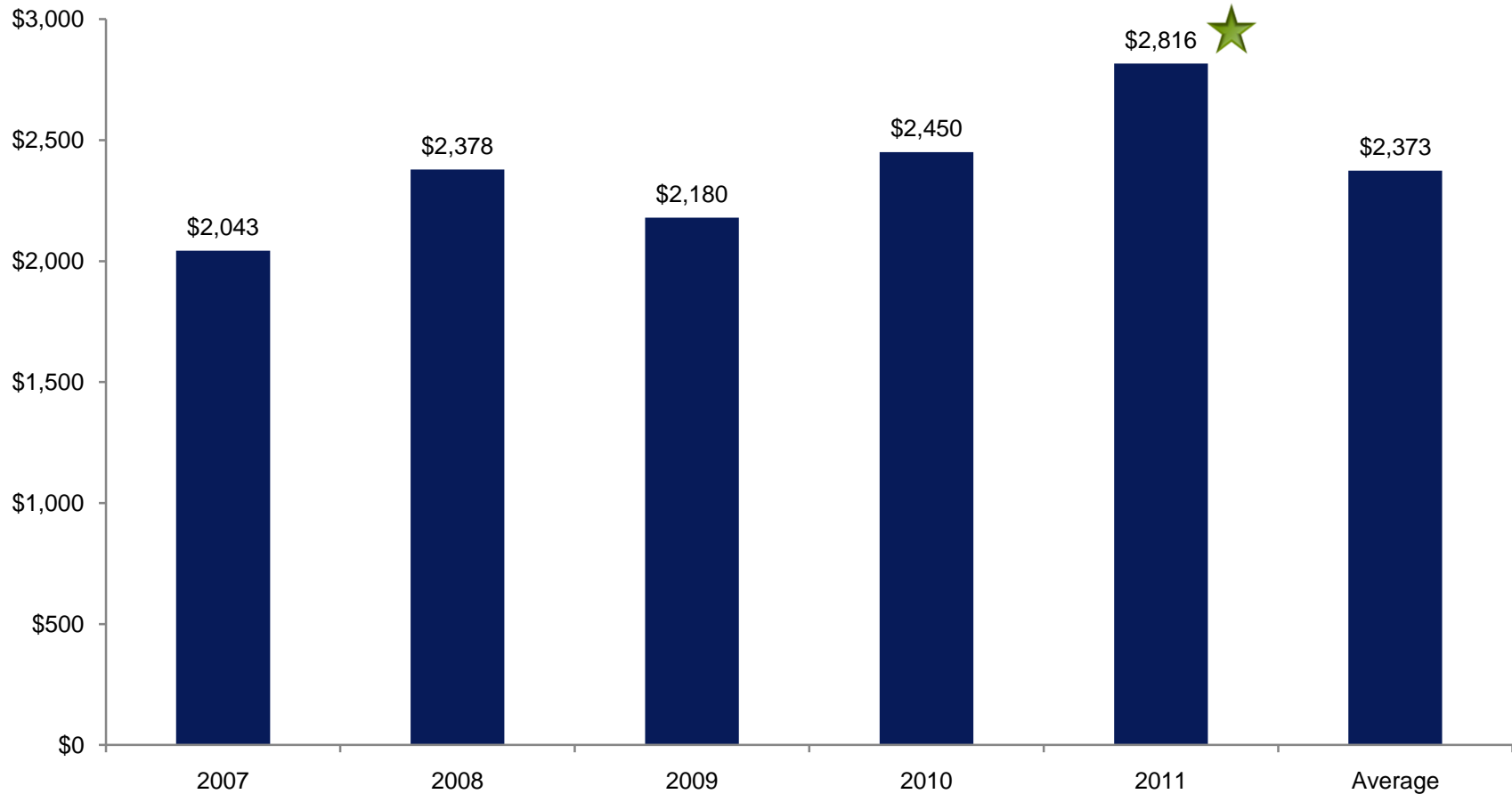
# 2012 PRELIMINARY ESTIMATE

**5-year total inflation of 1.66%**



# 2012 PRELIMINARY ESTIMATE

5-year average market value of \$2.4 billion



= estimated FY 12 distribution of \$45 million





# STATE CASH FLOW

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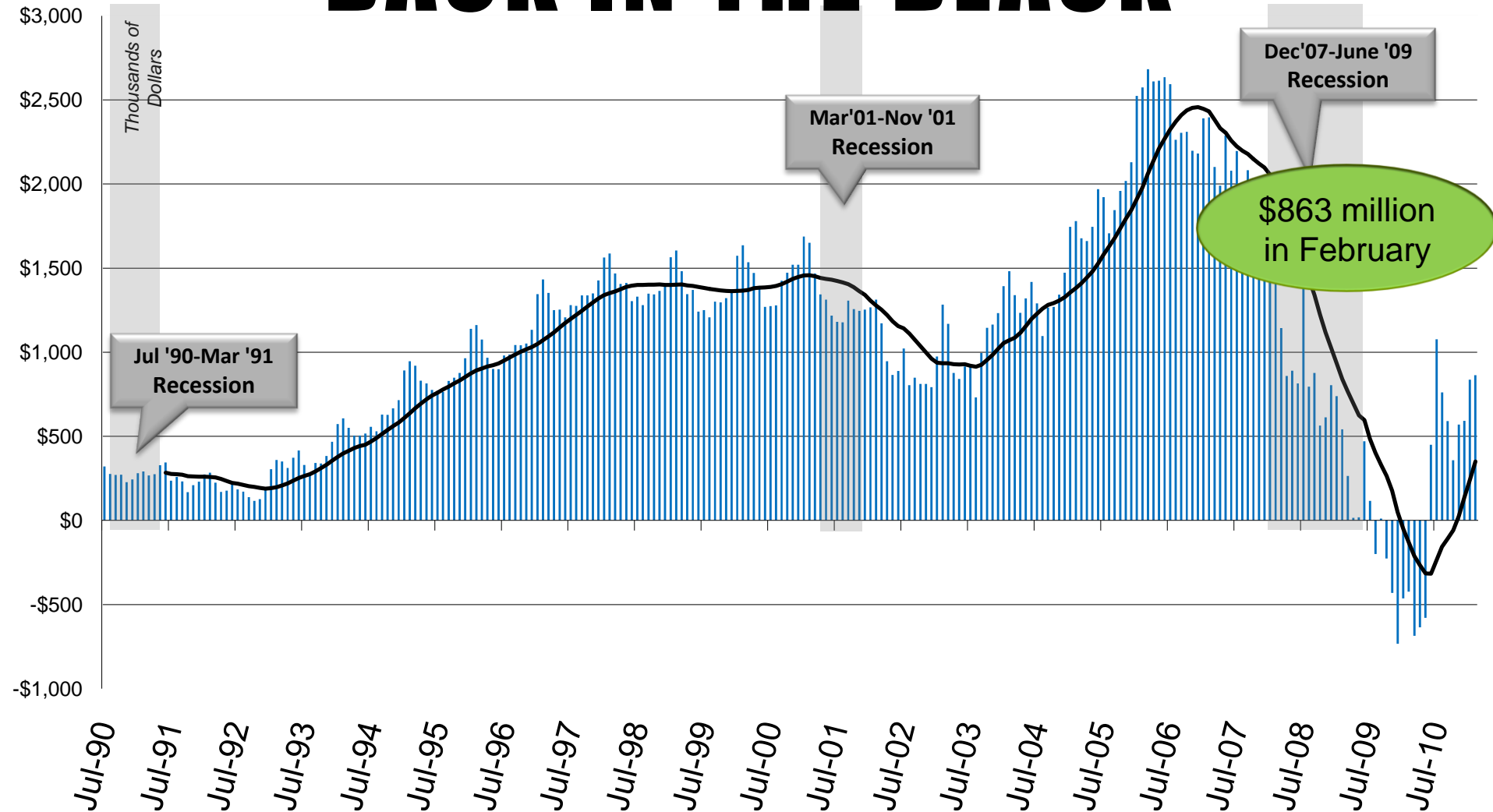




# STATE CASH FLOW

TOTAL OPERATING ACCOUNT AVERAGE MONTHLY BALANCE

## BACK IN THE BLACK





# QUESTIONS?

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